

Message Text

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C O N F I D E N T I A L PRAGUE 0156

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TAGS: ECON, ETRD, CZ

SUBJECT: TOURISM (CER5-59465)

REF: 75 STATE 265651

1. SUMMARY: THIS CABLE RESPONDS TO QUESTIONS ON CZECHOSLOVAK TOURISM RAISED IN REFTEL. END SUMMARY.

2. INFORMATION ON CZECHOSLOVAK TOURISM REPORTED IN THIS CABLE CAME FROM INTERVIEWS WITH GENERAL MANAGER OF CEDOK TRAVEL AGENCY, WITH SECRETARY TO FEDERAL COMMITTEE FOR TOURISM, AND FROM PUBLISHED SOURCES. CZECHOSLOVAK STATISTICAL YEARBOOK SHOWS THAT TOURISTS COMING FROM SOCIALIST COUNTRIES INCREASED FROM 2.8 MILLION IN 1970 TO 10.9 MILLION IN 1974. TOURISTS COMING FROM WESTERN COUNTRIES INCREASED FROM 730,000 IN 1970 TO 890,000 IN 1974, FALLING OFF TO 800,000 IN 1975, ACCORDING TO PRELIMINARY DATA. NEITHER THIS TREND NOR INTERVIEWS WITH CZECH OFFICIALS SUGGEST THERE WILL BE A BIG EFFORT IN NEXT FEW YEARS TO INCREASE NUMBER OF WESTERN TOURISTS. OFFICIALS DID SAY HOWEVER THAT OVERALL RECEIPTS FROM TOURISM SHOULD RISE BY ABOUT 40 PERCENT DURING SIXTH FYP (1976-80). ACCORDING TO EMBASSY CALCULATIONS, CZECHOSLOVAKIA OBTAINS \$75-\$100 MILLION PER YEAR FROM WESTERN VISITORS. THERE WILL BE DOWNWARD ADJUSTMENT IN CURRENT REQUIREMENT FOR WESTERN TOURISTS TO EXCHANGE SEVEN DOLLARS PER DAY. NET EFFECT OF THIS CHANGE, AIMED PRIMARILY AT PENSIONERS OF CZECH ORIGIN, MAY BE A MODEST GAIN IN HARD CURRENCY

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EARNING, AS MORE PENSIONERS ARE ATTRACTED BY LESS ONEROUS

EXCAHNGE REQUIREMENTS.

3. CEDOK-AFFILIATED HOTELS WILL ADD ABOUT 4,000 BEDS IN 1976-1980 PERIOD, 1,000 OF THEM IN TWO NEW GOOD BUT NOT LUXURY-CALSS HOTELS IN PRAGUE. IN GENERAL, CZECHS THINK THEY HAVE ENOUGH LUXURY HOTELS AND WANT TO CONCENTRATE ON BUILDING HOTELS IN THE 100-120 BED CATEGORY IN SMALLER TOWNS AND RESORT AREAS. THESE WILL BE OF TOURIST, NOT LUXURY-CLASS, FOR WESTERNERS AND TOURISTS FROM CEMA COUNTRIES LOOKING FOR ABOVE-AVERAGE ACCOMMODATIONS. THEY WILL BE BUILT BY CZECHOSLOVAK CONSTRUCTION ENTERPRISES. CZECHS SAY THERE IS SERIOUS SHORTAGE OF HOTEL ACCOMMODATIONS ONLY IN PEAK SEASON, AND ONLY FOR INDIVIDUAL TOURISTS WHO COME WITHOUT RESERVATIONS. THEY HOPE TO PERSUADE MORE TOURISTS TO COME ON PACKAGE TOURS, AND TO PROMOTE OUT-OF-SEASON TRAVEL. AT PRESENT, ABOUT 40 PERCENT OF TOURISTS FROM WESTERN HEMISPHERE, JAPAN AND OTHER OVERSEAS COUNTRIES COME ON PACKAGE TOURS, BUT ONLY ABOUT 10 PERCENT OF TOURISTS FROM WESTERN EUROPE. CZECHS BELIEVE THEY CAN OFFER OUT-OF-SEASON PACKAGE TOURS TO WESTERN EUROPEANS AT ATTRACTIVE RATES. THEY PROFESS TO BELIEVE THAT WESTERN TOURISTS ARE TURNING AWAY FROM THEIR SEARCH FOR SUN ON MEDITERRENEAN BEACHES, AND CAN BE PERSUADED TO COME, IF PERHAPS IN ONLY MODEST NUMBERS, TO CZECHOSLOVAKIA.

4. CZECHS HAVE RELIED VERY LITTLE ON WESTERN FIRMS TO BUILD OR MANAGE THEIR HOTELS. ONE MOTEL NEAR PRAGUE WAS BUILT BY A BRITISH FIRM. YUGOSLAVS, HUNGARIANS, AND ROMANIANS HAVE BUILT HOTELS IN BRATISLAVA, KARLOVY VARY, AND ELSEWHERE. JAPANESE AND SWEDES HAVE HELD DISCUSSIONS WITH CZECHS ON HOTEL CONSTRUCTION, BUT NOTHING CONCRETE HAS DEVELOPED. ONE SWEDISH FIRM HAS BUILD TWO LARGE DEPARTMENT STORES IN PARGUE IN RECORD TIME, BUT A DECISION TO CONTRACT WITH SAME FIRM FOR HOTEL CONSTRUCTION HAS BEEN PUT OFF UNTIL CZECHS SEE HOW A HOTEL FIRM IS NOW BUILDING IN BULGARIA TURNS OUT. CZECHS ARE SATISFIED WITH THEIR ARRANGEMENT WITH U.S.-BASED INTERCONTINENTAL HOTEL CORPORATION. THEY BELIEVE TRAINING PROVIDED WAS WORTHWHILE, AS WELL AS RESERVATION SYSTEM AND PRESTIGIOUS NAME FOR PARGUE INTERCONTINENTAL. CZECHS KNOW WESTERN FIRMS CAN COMPLETE

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LARGE CONSTRUCTION PROJECTS IN ONE-THIRD TO ONE-HALF TIME NEEDED BY CZECH ENTERPRISES, BUT HARD CURRENCY OUTLAY IS SERIOUS DETERRENT TO SIGNING MORE CONTRACTS WITH WESTERN CONTRACTORS.

5. HOTEL TO BE INCLUDED IN PROPOSED WORLD TRADE CENTER MAY BE CONTROLLED BY CZECHOSLOVAK CHAMBER OF COMMERCE, AS IN MOSCOW. C OF C IS IN CHARGE OF PLANNING TRADE CENTER, BUT

IT IS TOO EARLY TO KNOW YET ABOUT MANAGEMENT OF HOTEL.

6. DELETERIOUS EFFECTS ON TOURISM OF 1968 SOVIET INVASION ASIDE, IT IS PROBABLY THAT FAR MORE WESTERN TOURISTS WOULD HAVE COME TO CZECHOSLOVAKIA OVER PAST FEW YEARS IF THERE HAD BEEN A GREATER EFFORT TO PROMOTE TOURISM TO THIS COUNTRY. WE DOUBT THAT MANY AMERICANS WHO TRAVEL TO WESTERN EUROPE ARE AWARE THAT PRAGUE IS AS BEAUTIFUL AS PARIS, FLORENCE, AND AMSTERDAM. CZECHS ADMIT THAT LACK OF FACILITIES HAS BEEN A LIMITING FACTOR, BUT THEY SAY THEY ARE MORE INTERESTED IN QUALITY THAN QUANTITY, E.E., THEY PREFER RESTORING RENAISSANCE PALACES AND BAROQUE CHURCHES TO PUTTING UP REINFORCED CONCRETE HOTELS. DEMAND ALSO HAS BEEN HIGH ENOUGH TO ALLOW CZECHS TO RAISE PRICES TO OR EVEN ABOVE, IN SOME CASES, WESTERN LEVELS. CERTAINLY SKIING IN AUSTRIA, INCLUDING HOTELS AND MEALS, IS A BARGAIN COMPARED TO CZECHOSLOVAKIA. AND PRAGUE IS ONLY MODERATELY LESS EXPENSIVE THAN VIENNA.

7. THERE ARE SEVERAL FACTORS THAT PROVIDE SOME EXPLANATION OF RAPID RISE IN TOURISM FOR CEMA COUNTRIES, AND STAGNATION OF WESTERN TOURISM IN CZECHOSLOVAKIA. OVER 90 PERCENT OF CEMA TOURISTS COME FROM POLAND, EAST GERMANY, AND HUNGARY. THEY ARE ALL FLAT COUNTRIES, BASICALLY, SO LOVELY MOUNTAINS IN CZECHOSLOVAKIA ARE A MAJOR ATTRACTION. WE DO NOT KNOW WHAT SORT OF CLEARING ARRANGEMENTS EXIST BY WHICH CZECHOSLOVAKIA REALIZES PROFITS FROM CEMA TOURISM BUT, JUDGING BY NUMBERS OF TOURISTS, CEMA TOURISM IS FINANCIALLY ATTRACTIVE TO CZECHOSLOVAKIA. ANOTHER POINT NOT TO BE IGNORED IS THAT CZECHOSLOVAK CROWN IS TRADED IN WEST AT TWICE LEGAL RATE. WE BELIEVE A SIGNIFICANT NUMBER OF WESTERN TOURISTS BUY THEIR CROWNS ABROAD AND BRING THEM IN ILLEGALLY, OR PURCHASE THEM ON CZECHOSLOVAK BLACK MARKET, CONFIDENTIAL

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THUS REDUCING WHAT WOULD OTHERWISE BE A SUBSTANTIAL INFLOW OF HARD CURRENCY.
PERRY

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